

ULSTER COUNTY COMPTROLLER'S OFFICE

Elliott Auerbach, Comptroller



September 21, 2015

Department of Social Services HEAP Program Application Review

The mission of the Ulster County Comptroller's Office is to serve as an independent agency of the people, to protect the public interest by monitoring County government and to assess and report on the degree to which its operation is economical, efficient and its financial condition sound.

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September 21, 2015

Dear County Officials:

Following herewith is our audit of the Department of Social Services (“DSS”) New York State Home Energy Assistance Program’s (“HEAP”) application process. Our analysis concentrated on confirming that the local Social Services District complied with their responsibilities as described in the *Home Energy Assistance Program (HEAP) Manual*.

We conclude that DSS organizational adherence to procedures with respect to New York State’s manual and processes is satisfactory. However, there are several areas for improvement from the State’s perspective that the local Social Service District has expressed and we agree should be followed up on from an efficiency and economy standpoint.

The reports issued by the Office of the Ulster County Comptroller (“Office”) are an important component in accomplishing the development and promotion of short and long-term strategies to achieve reduced costs, improved service delivery, and to account for and protect Ulster County’s (“County”) assets. These reports are expected to be a resource and are designed to identify current and emerging fiscally related problems and provide recommendations for improvement.

The Office conducted this audit and produced this report in accordance with the Comptroller’s authority, as set forth in Article IX, Section 57, first paragraph, and Sections 57(A) and (G) of the Ulster County Charter, as well as applicable State laws, rules and regulations.

If we can be of assistance to you, or if you have any questions concerning this report, please feel free to contact us.

Respectfully submitted,

Ulster County Comptroller

Objectives

The purpose of this audit was to assess the adequacy and performance of designed control activities in place to approve Home Energy Assistance Program (“HEAP”) applicants and their corresponding benefits, determine adherence to applicable laws and New York State (“NYS” or “State”) policies and procedures, and identify factors inhibiting satisfactory performance, as well as to recommend corrective actions if necessary. The specific objectives in accomplishing these purposes were:

1. To determine that the Department of Social Services (“DSS”) has complete files, according to the *New York State Office of Temporary and Disability Assistance HEAP Manual*, containing all the required documentation that supports the applicant's claim for assistance with energy needs, as well as the repair or replacement of their primary heating equipment; and
2. To determine that claims made by applicants had been approved or denied with proper support.

A thorough review of these stated objectives allowed our Office to conclude with reasonable assurance that the DSS satisfactorily adheres to NYS procedures concerning the application process for the HEAP program.

Observations & Recommendations

Our analysis of DSS HEAP cases affirmed that the program on a local district level conforms to NYS policy and procedures. However, a review of the policy and procedures developed by the State revealed that the program’s structure creates various opportunities for the risk of fraud and approval of improper benefit payments.

The following are findings specific to case files reviewed from our sample:

A) Record keeping

Finding – Overall, DSS records were complete and contained most of the essential documentation; however, some issues were identified:

- 4 files did not have proper documentation to support income qualifications (1 Regular, 1 Emergency, 2 Heating Equipment Repair and Replacement [“HERR”] benefits)
 - Case 1: income was verified using the Supplemental Nutrition Assistance Program (“SNAP”) module; however, application section was not completed and lacked signatures.
 - Case 2: emergency benefit paperwork was not present in file.
 - Case 3 & 4: income information for one of the household members was missing from file.
 - ❖ All four cases’ missing documentation was either explained or provided by DSS staff and reviewed by auditors at exit conference.
- 1 file was missing an adequate form of identification: a religious marriage certificate had been provided but does not constitute an acceptable form of identification.

- 1 file was missing income verification: the file was comprised of Social Security income and a pension but no verifications of amounts were noted.
 - ❖ Social Security income was verified by auditor, but pension documentation was missing.
- 6 files were missing the “repository checklist,” a checklist created by DSS to identify which forms had been inspected by the caseworker and kept in electronic format for reoccurring applications.

Recommendation – Although most of the required documentation was provided by DSS staff after the initial review period, it is important that files remain complete so that they can be reviewed. DSS currently utilizes a checklist for informational purposes to track which documents are on file for the case in question and what each caseworker has inspected for eligibility purposes. We recommend that DSS expand this checklist to include the items that are required by policy and procedure to be kept on file, so that it adds a level of control to how complete the files remain.

B) Heating Equipment Repair & Replacement (“HERR”) vendor billings not itemized

Finding – Vendor billings that had been provided for completion of work for HERR applications were not itemized to include the breakdown of labor costs and the expense of the unit. According to the NYS HEAP manual, “after work is complete, vendors must submit a final itemized bill.”¹

- 17 files did not contain itemized bills.
 - ❖ All job estimates that were required to be provided, and did accompany each file in question, included an itemized breakdown of the work that was to be performed. None of the bills submitted exceeded the estimated amounts.

Recommendation – New York State’s HEAP manual specifies that billings from vendors are to be itemized. DSS does a thorough job at collecting required job estimates, which are itemized, and following up with the applicant directly before payment is made. However, in order to be in compliance with NYS regulations, we recommend that DSS require vendors to submit itemized bills signed by the applicant after completion of the work before payment is issued.

C) Weatherization referral forms not complete

Finding – All households approved for a HERR benefit must be referred to the Weatherization Assistance Program, a program that provides funding to improve the energy efficiency of the homes of low-income families.

- 7 files had either not completed a weatherization referral application or the referral had been misfiled.

¹ Chapter 12 page 4, section D (a)

Recommendation – We recommend that this form, required to be completed by HERR applicants, be added to the in-house checklist previously recommended so that DSS staff can ensure this step in the process has been completed.

D) Special Investigation Unit underutilized

Finding – The HEAP program is a pass through for federal funds, putting minimal expense responsibility on the local district; however, the local districts still have the responsibility of ensuring all recipients of funding are in fact qualified. There were several cases that warranted an additional level of inquiry. During the course of the entire heating season, only one case had been referred to the Special Investigations Unit (“SIU”). Given the large volume of HEAP cases, as well as the amount of detailed information that must be provided and processed in a required timeframe, additional and critical vetting of these cases at the department level is hard to accomplish. Moreover, state guidelines on the program do not routinely mandate an added layer of scrutiny.

- 2 files appeared to have questionably declared income as compared to monthly expenses.
 - Case 1: applicant declared self-employment income that appeared to exceed monthly declared expenses.
 - Case 2: applicant declared monthly expenses significantly exceeded monthly income, which begs the question of how the household is surviving month to month with no assistance.

Recommendation – The Department of Social Services has a dedicated SIU, which is responsible for receiving complaints and referrals of welfare fraud in Ulster County. Their mission is to support the integrity of various social services administered by the Department, including Economics Supports, SNAP (Food Stamps), Medicaid, HEAP and Day Care. We recommend that DSS determine a reasonable number of case files to be randomly referred to SIU to verify information. This practice will ensure that the client’s statements have been fully vetted.

New York State Program Guidelines

While conducting this review, we noted that several vulnerabilities exist within the HEAP program in connection with NYS guidelines and procedures. The highest areas of risk appear to reside in the way that NYS suggests the program be implemented by each grantee. Even though there are several components of the program that stand to be improved, two areas in particular would provide value to both the local district staff, as well as the most vulnerable residents: (1) enhancing the early outreach “auto-run” program regarding senior citizens, and (2) better tracking of denial statistics.

The early outreach segment of HEAP directly targets households that received HEAP benefits the previous season and have a senior citizen, disabled individual or child (age five or younger). These households may apply for HEAP before the season officially opens, which only requires presenting copies of earned income for the most recent four week period. Early submission of these applications ensures that a large portion of this highly sensitive populace is receiving benefits at the moment of need. NYS should consider reviewing the early outreach procedures

for senior citizens, as well as streamlining and simplifying the eligibility criteria for those who previously qualified – placing them in an auto-run category to receive benefits without the local district being burdened with having to review and approve applications.

Additionally, tracking denial statistics would give insight to both NYS and local officials as to where improvements to the program need to be explored and made. For example, in the case of early outreach, if the vast majority of returned applications were approved then it would instill a greater level of confidence when placing these applications through a more automated process – again alleviating local DSS staff of unnecessary case loads. Further, knowledge relating to the percentages of recipients who get denied HEAP for reasons such as lack of funding or the HEAP “season” being closed would provide useful information as to where the program might need to be revised.

HEAP seeks to make home energy more affordable for low income households that have the highest home energy needs. In NYS, that task can be quite an undertaking – heating seasons often vary from one year to the next and may lead to a larger number of households that might be deemed eligible. By taking steps to distribute funding using more automated procedures, local DSS staff would likely be able to focus on increased outreach and a more in depth application review process.

Background

The Low Income Home Energy Assistance Program is a federal social services program funded annually through Congressional appropriations. HEAP aims at assisting low income households in meeting their immediate home energy needs. Funding is distributed and the administration of the program is entrusted to each individual state. The program received funding for fiscal year 2014 of \$3.4 billion.

In New York State, the Office of Temporary and Disability Assistance administers the HEAP program and distribution of funding of about \$315 million to 62 counties for the 2014-15 HEAP year. Ulster County DSS received approximately \$7.4 million to support local families and individuals in need of assistance in heating their homes. A portion of which gets put back into the local community through use of local businesses’ services.

DSS operates the HEAP program by paying qualified households or energy service providers for a range of covered home heating and cooling services. HEAP benefits are provided to eligible beneficiaries up to the maximum amount as determined by NYS set guidelines. Grant funds are distributed in this manner until the annual grant has been entirely expended or the program year has ended.

HEAP is comprised of the following four components:

- Regular component, which is designed to decrease a household’s energy costs. This benefit takes into account income, energy burden and family size.
- Emergency component, which is designed to meet an eligible household’s immediate needs.

- Cooling Assistance component, which provides cooling assistance services to eligible households with individuals who have documented medical conditions.²
- HERR component, which assists eligible homeowners in repairing or replacing their primary heating source if it is inoperable.

Entitlement to benefits is based on income eligibility guidelines and living situations. While the federal government establishes overall guidelines, each grantee operates its own program. NYS delegates eligibility determinations to each local Social Service District. Proof of address, number and name of household members, citizenship status, income and vulnerability are required in making the determination of the type of benefit an individual/family is able to receive. Income guidelines for the 2014-15 HEAP season are detailed in the following chart:

| Household Size | Maximum Gross Monthly Income |
|-----------------|------------------------------|
| 1 | \$2,194 |
| 2 | \$2,869 |
| 3 | \$3,544 |
| 4 | \$4,219 |
| 5 | \$4,894 |
| 6 | \$5,569 |
| 7 | \$5,696 |
| 8 | \$5,822 |
| 9 | \$5,949 |
| 10 | \$6,076 |
| 11 | \$6,534 |
| Each additional | Add \$508 |

Home Energy Assistance Program (HEAP) OTDA. New York State Office of Temporary and Disability Assistance, n.d. Web. 24 June 2015.

Additionally, NYS has implemented the practice of serving households that have at least one member who also receives assistance under any of the following federal programs to be categorically eligible to receive benefits: Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), and SNAP. Categorical eligibility eliminates the requirement that households who already meet financial eligibility requirements in one specified low-income program bypass the income and resource tests.

As is the case with HEAP and other federally funded programs, local districts often want to ensure the success of the program by making certain that all funds have been expended. This aspect, coupled with the fact that the priority of HEAP relates to outreach to community members with the greatest need, results in flexible requirements and less emphasis on validating information. This characteristic provokes thoughts geared more towards how New York State's guidelines might be improved.

As Chief Auditor of Ulster County, this Office's top priority is to ensure taxpayer dollars are being use effectively and efficiently to meet the needs of County residents and businesses. We accomplish our mission by conducting audits and other analyses of County-wide operations in accordance with the Ulster County Charter. We plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on the audit objective.

² Ulster County Comptroller did not review cooling assistance applications as the amount expended was immaterial, amounting to approximately 1% of the total benefits authorized.

Scope, Methodology, and Criteria

The Department of Social Services processed roughly 19,000 claims in total for the 2014 HEAP season, November 17, 2014, through March 27, 2015. To identify if DSS had complete files in processing HEAP benefits for the fiscal year, we obtained and reviewed a random sample of 40 regular HEAP benefit cases (including 6 emergency applications), and all 29 HERR benefits processed during the year under evaluation.

The methodology included detail testing of the aforementioned samples to determine compliance with NYS guidelines. We obtained an understanding of the internal control structure by reviewing the NYS HEAP Manual and by conducting interviews with HEAP unit staff.

Conclusion

Based on our review, we determined that DSS HEAP unit is in compliance with the guidelines set forth by New York State. However, in order to capitalize on efficiency throughout the agency, several initiatives should be investigated and implemented at the State level. We have made several recommendations that would begin to accomplish this goal.

This report, in draft, was provided to the Department of Social Services and the corresponding Deputy County Executive overseeing that department for review and response. Their comments have been considered in the preparation of the final draft. These comments have been included in Appendix A.

DSS management, supervisors, and staff were very helpful throughout the course of this audit. We appreciate their courtesy and cooperation while completing this assignment.

APPENDIX A:

DSS Response to Draft Report

COUNTY OF ULSTER
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MEMORANDUM

To: Alicia DeMarco, Director of Internal Audit & Control

From: Michael Iapoce, Commissioner UCDSS
Cynthia Beisel, Deputy Commissioner UCDSS

Date: October 29, 2015

Re: Response to UCDSS HEAP Draft Audit Report

Thank you for your review of the Ulster County Department of Social Services Home Energy Assistance Program. We would like to recognize the professionalism of the audit review team and express our appreciation for the consideration demonstrated when conducting the audit.

Thank you also for the opportunity to share our impressions and responses to this audit. We can all agree that the administration of the HEAP program is an important function of the Department. We are pleased by your recognition of our staff's effort and expertise in the successful implementation of this essential program.

The following is our response to the draft of the Department of Social Services HEAP Program Application Review.

A) Record Keeping

Management Action Plan: The Director of Economic Supports and Principal Social Welfare Examiner will revise the "HEAP Case Review Checklist" to expand it to include necessary documentation in accordance with the 2015-2016 HEAP Guidelines.

B) Heating Equipment Repair & Replacement (“HERR”) vendor billings not itemized

Management Action Plan: UCDSS will require itemized bills from vendors per NYS regulation.

C) Weatherization referral forms not complete

Management Action Plan: Refer to A. The revised “HEAP Case Review Checklist” will include the addition of the “Weatherization Assistance Program Interagency Referral” form.

D) Special Investigations Unit Underutilized

We understand your recommendation, but rather than implement random referrals, we believe a better way to verify information in cases with Low Income Worksheets will be to require an additional supervisory review. Accordingly, a second supervisor will be required to sign off on all HEAP Low Income Worksheets. In cases where the secondary supervisor determines that there are eligibility concerns, referrals to the Special Investigations Unit will be made.

Once again, we thank you for the opportunity to respond to the draft and for recognizing the hard work and dedication of the DSS staff that successfully administer the HEAP program.

Cc: Ken Crannell, Deputy County Executive
Elizabeth Weredyck, Senior Auditor
Elliott Auerbach, Comptroller
Marijane Knudsen, Director of Economic Supports